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INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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COUNTRY East Germany REPORT 50X1-HUM

SUBJECT Politburo Meeting with Soviet Leaders DATE DISTR. 2 August 1955

NO. OF PAGES 50X1-HUM

DATE OF INFO. REQUIREMENT NO. RD 50X1-HUM

PLACE ACQUIRED REFERENCES 50X1-HUM

DATE ACQUIRED 50X1-HUM

SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

1. A special meeting of the Politburo of the SED was held on the morning of 26 July 1955. It was attended by Nikita S. Khrushchev and Premier Bulganin, but Walter Ulbricht was not present.
2. Bulganin said that in the very near future the Soviet Union will give West Germany some large orders for goods, because the Russians think they can attain their larger political goals thereby.
3. Minister President Otto Grotewhl stated that shortages of food and of materials in East Germany have put the SED and the East German government in a difficult situation. One major cause of these shortages is the failure of the U.S.S.R. and the people's democracies to fulfil their delivery contracts. Bulganin replied that the U.S.S.R. is undergoing a great internal political change which requires a completely new start in many fields. In order to maintain the Soviet living standards during this period it had been necessary to channel to the U.S.S.R. food and materials from the people's democracies which had been destined for East Germany. Bulganin added that East Germany must improve its production and the quality of its goods and engage in more trade with West Germany; this would be a decisive step in bringing the two parts of Germany closer.
4. Bulganin mentioned that Heinrich Rau had asked him to allow East Germany to retain more mining equipment, stating that approximately 95 per cent. of East German production is now exported to the Soviet Union. This is urgently needed for the safety of East German mines. Bulganin said that he could give no definite answer to this request, but would refer the matter to the competent functionary of the Soviet Politburo.
5. Discussing the recent Geneva Conference, both Bulganin and Khrushchev spoke with great respect of the impression made by President Eisenhower. Khrushchev said that he and Bulganin were convinced that Eisenhower's intentions were honorable and that upon their return to Moscow they would do all in their power to make use of the possibilities arising from the President's good will and would strive to maintain the good contacts made at Geneva.

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6. Khrushchev stated that the Soviet government desires no further strengthening of the KVP prior to the conference of foreign ministers. A decision on this subject must await the results of the conference.
7. Khrushchev said that at Geneva the Russians had succeeded in placing the question of European security in the first place and the German problem in the second. He stated that this could force Chancellor Adenauer into a situation comparable to that of Syngman Rhee.
8. Karl Schirdewan asked for information as to the demands the Russians expect to make of Adenauer when he visits Moscow. Bulganin answered this question with extreme caution; he said that, in view of the known character traits of Adenauer, it would be necessary to carry on the negotiations in the open, and that the Russians could not burden him with too many pre-conditions.
9. Bulganin revealed that Vladimir S. Semenov is to become the Soviet ambassador to West Germany when diplomatic relations are established. He said Semenov is more familiar with German affairs than anyone else in the Soviet foreign service, and his appointment will represent a strengthening of the position of the SED and the DDR government.
10. Khrushchev announced that after the return to Moscow of the delegation which had gone to Geneva, M. A. Suslov and L. M. Kaganovich were to receive the assignment of assisting the Politburo of the SED in working out plans to implement the following points:
 - a. Dissolution of the East German bloc political system within twelve months.
 - b. Reorganization of the East German government.
 - c. Return of German prisoners of war in the Soviet Union and an amnesty for East German political prisoners.
 - d. Preparation of plans for closer economic connections between East Germany and the West.
11. With reference to the reorganization of the DDR government, Bulganin stated that it is absolutely necessary to devise an organization along Western democratic lines. Only then, he said, can the German problem be attacked with a promise of success.
12. As to the prisoner question, Khrushchev said that those prisoners in the U.S.S.R. who had been sentenced to long terms have already been released from the punitive camps and can reckon on their final release in expectation of Adenauer's visit. He added that the German Red Cross has already received word concerning this matter.
13. In an informal session with the members of the Politburo after the meeting, the Russians expressed great hopes that the Americans and Chinese would reach accord at their August conference in Geneva.
14. Walter Ulbricht was scheduled to go to Moscow on 29 and 30 July to report to the Politburo of the Communist Party of the Soviet Union. This trip was ordered as a result of a talk between Wilhelm Pieck and Kaganovich.

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